

**Testimony Of  
Chuck Lee  
Before  
U.S. House of Representatives  
Committee on Agriculture  
Subcommittee on General Farm Commodities & Risk Management  
Field Hearing  
Macon, Georgia  
June 23, 2001**

Chairman Chambliss and members of the subcommittee, my name is Chuck Lee. I am a diversified family farmer from Bulloch County, Georgia where I produce cotton, wheat, peanuts and cattle. Thank you for holding this hearing and thank you for this opportunity to present my views as they pertain to future farm policies. I would also like to thank Chairman Combest, all members of the full House Committee on Agriculture and their staff for the timely initiative they have taken by pushing ahead and writing a new farm bill. I applaud everyone's enthusiasm for undertaking this enormous task and wanting to get the job done this year. This shows your concern that the sooner we address the problems of agriculture with long term solutions, the better off we will be.

It goes without saying that we in production agriculture are operating in an era that rivals the likes of the Great Depression. The price we receive for the goods we produce does not come close to covering total costs of production let alone render a profit. The University of Georgia Cooperative Extension Service estimates that the cost associated in producing a pound of cotton averages about 78 cents. Unfortunately, it now appears that for the third consecutive year, farmers will average less than 50 cents per pound from the market place. On the surface, one would expect a much stronger market for cotton since domestic consumption to this day continues at a record pace. However, well over 50% of our textile needs are satisfied through cotton imports to the tune of 14 million bales equivalent in 2000 alone and that number is expected to rise in 2001. This has placed the American farmer in a perilous situation. The balance of my comments will be devoted to farm policy considerations I believe will help preserve the family farm unit.

With the passage of Freedom to Farm came planting flexibility. For that, I am appreciative. When Georgia eradicated the boll weevil, cotton acreage expanded back into our state. Without planting flexibility, that never could have happened. Due to the limited price protection ensured by the 96 Farm Bill, Congress has graciously aided us in our times of need. However, the very relief that Congress has provided in response to the crisis has not benefited everyone equally. When we signed the market transition contracts in 1996, we knew exactly what we were entitled to receive in the way of support payments each year. When Congress elected to make emergency market loss assistance by means of the AMTA formula, the result translated into Georgia cotton producers receiving less than 50% of what our counterparts in other regions have received. Roughly 50% of the cotton acres currently planted in Georgia and in the entire Southeast region are either not eligible for an AMTA payment or receive a much smaller

payment for another crop. Our relative cost of production and exposure to low commodity prices is as great and, in some instances, greater than that of other producing regions. It is of the utmost importance that the Committee applies a more recent planting history for all forms of direct, decoupled payments in future farm program legislation. I strongly support updated acreage bases, and I hope that the Committee can continue to provide annual decoupled payments to producers. For many others, and myself the AMTA payment helps us secure operating loans each year.

Regarding the CCC loan program, I strongly support lifting the caps on commodity loan rates and raising the loan minimum to no less than 55 cents per pound (currently .50/lb) for cotton. Loan rates have been frozen for a number of years and are no longer representative of the true costs of production. Having said that, the marketing loan has done more to keep American agriculture competitive in world markets than any other trading tool. The ability to revise and update loan levels will provide the opportunity to correct the inequities that currently exist. As you have been made aware, the soybean loan rate is unfairly high relative to that of other commodities. An adjustment should be made: either bring other commodity loan rates in line with the soybean loan rate, or bring the soybean loan rate down to be in line with other commodity loan rates. Planting decisions should not be based solely on government policies; planting decisions should be made based on market signals.

As a producer of wheat, I must point out a problem with the loan rate that occurred after harvest had begun this spring. USDA announced the national average loan rates in December of 2000 for this year's crop. What USDA did not do in a timely fashion was to announce local loan rates. After harvest began, I did not know what loan rate my wheat would be protected by. It was frustrating and potentially costly not to have a signal from FSA as to what I might be able to expect. It may be worth the Committee's time to consider legislating a deadline by which USDA must announce national average and local/county loan rates.

I am adamantly opposed to payment limitations of any kind. Due to the capital-intensive nature of farming coupled with skyrocketing input costs and the ever narrowing of profit margins, I have been forced to farm far more acres than I ever intended or desired to farm. My quest to develop a more efficient, viable, family farming operation has taxed my current payment limits. I have had to pay close attention to how I structure my operation in order not to leave money on the table that I can ill afford to lose. My operation is one of the 20% of all farms that produce 80% of the total output of food and fiber in this country. This small percentage (20%) is the same farmers, who keep food in the U. S. supremely affordable. Due to their greater efficiency, commercial size family farms are the only ones who will ultimately be able to maintain our dominance in the highly subsidized global market place and remain competitive.

I am very grateful to the committee and their staff members for the difficult task they recently endured while improving and reforming crop insurance. Crop insurance is very important to farmers because it not only helps provide a financial safety net, but it is also a very valuable tool to use in obtaining financing for a farming operation. Crop insurance will probably always be a work in progress. I encourage you to continue to closely monitor crop insurance to ensure its integrity is not eroded by fraud and to keep crop insurance regulations current as crops and

farming practices change. Crop insurance is certainly not the total answer to providing a financial safety net for farmers, but it will always be an integral part of any good farm plan.

A way that the Committee could help improve the farming situation and help build a financial safety net for farmers is to create a counter cyclical mechanism to help offset low income or low price years. A counter cyclical program could provide support to producers during such difficult times. This and other means of support must take into account (index) the negative effect the strong dollar has had on rendering the U. S. farmer to a status of residual supplier and has conversely, caused a huge influx of foreign goods to flood and disrupt our markets. The counter cyclical payment should also be tied to actual production as well as low income and low prices.

The current system of support (AMTA, disaster/economic assistance, and crop insurance) has a history of rewarding the least efficient farmer. There are growers who have a tendency to give up and stop spending on a crop that is protected by crop insurance. These growers then collect their crop insurance indemnity and are eligible for any disaster assistance that becomes available. These farmers will usually net more profit than a farmer who struggles to produce the best crop possible given the conditions at hand. During the past several years of drought, the farmer who tried to produce a crop often found himself producing just enough to make him ineligible to receive a crop insurance payment or a disaster payment. This is the producer who is truly at risk. This is also the producer who is responsible for maintaining a sound agriculture infrastructure (farm supply dealers, gins, elevators, tractor dealers, etc...). The producer who tries his best to produce a crop will usually spend any government support he receives back on inputs that he has put into his crop, thus supporting agriculture's infrastructure. The producer who does not try to produce a crop and preys on government support usually has low input costs (sometimes only the cost of the seed) and will usually spend the majority of any government support he receives outside of agriculture's infrastructure. While the inefficient producer is contributing to America's over all economy he is not doing all he could for agriculture's economy. Tying counter cyclical support to actual production will provide the incentive for everyone to be better farmers and improve all farmers' chances for equal treatment. Also by tying counter cyclical support to actual production and low income, the counter cyclical program would work hand in hand with crop insurance to provide the financial safety net most farmers are looking for. Under this proposal, if a farmer had a total disaster then crop insurance would provide support and if a farmer produced a short crop that did not qualify for crop insurance then the counter cyclical program would provide him support.

Agriculture is truly at a crossroads. No segment of the agricultural industry has been spared the hard times presently facing agriculture. Marketing a crop has become more difficult due to the consolidation or closure of agribusinesses that buy farm products. As competition is eliminated the prices of farm products suffer. When I harvested this year's wheat crop, I had one local grain dealer that I could sell my wheat to. Several years ago I had a choice of a least five local grain dealers to sell my wheat to. The farmers' plight is further compounded by the problems plaguing other agriculture industry segments. Farmers have always had the ability to rely on local banks and farm supply retailers for financial assistance in lean times. Now farmers are faced with a banking community that frowns on agriculture lending. The local agricultural retailers are probably in no better financial condition than their farmer customers are. These retailers have written off tremendous amounts of money as bad debts from their accounts receivable. There is

no disaster aid to help them weather the current economic storm. National distributors and basic manufacturers of agricultural products are also feeling the pinch while most non-agricultural industries are realizing much higher returns on their investments. This discourages much needed research and stifles the pipeline for dissemination of instructional information as field personnel cuts are made. As we address agriculture's problems, we need to find solutions that work for agriculture's entire infrastructure, not just the growers' segment. If the price of cotton is a dollar a pound, it would not be beneficial to me unless I have a source to buy the inputs needed to grow a cotton crop and a gin to gin the cotton.

It is very important the government fund a strong agricultural research program through the USDA and our research universities. Cottonseed research is a particular concern of mine. As we have relied more and more on industry research to supply our cotton seed needs, we have in some cases been forced to plant seed that was selected by the seed companies because of profit potential rather than the seed meeting the needs of a particular region. Also the recent consolidation that has taken place in the seed industry concerns me greatly. In the United States, cotton yields have actually started to slightly decline during the last few years. Cotton farmers will need good solid unbiased research to reverse this yield trend.

A strong agricultural industry along with a strong defense industry should be of utmost public concern. To refer to farm policy as anything less than a national security issue would be an under statement. The average American consumer spends about 10% of their disposable income to feed themselves. This leaves the bulk of their personal income available to purchase the American dream. The safe, cheap, and secure supply of food that the American farmer delivers to the American consumer is the foundation for the United State's prosperity.

On a personal note, my wife, Lynn and I have five children (four boys and a girl). The oldest is a son who will finish college next December. He wants to return to the farm, but I have told him that is not an option at this time. I hope that someday, prosperity will return to my family farm to the extent that my son might have an opportunity to return to our farm. It is also my hope that in some small way that the previous recommendations cited in my testimony will help to bring about a brighter future for him and others who are willing to make a commitment to agriculture.

In closing I would like to say I am no different from most farmers, asking for help is very difficult for me to do. I want to make it very clear though, I am asking for help not welfare. My main concern for the new farm bill is that its' programs will provide economic stability for agriculture and encourage efficient production of food and fiber, not complacency and fraud. Again, thank you for this opportunity and I will be happy to entertain any questions you may have.